

Related Bills: See Legislative History Telephone: 845-3410 Introduced Date: 01/12/98

SUBJECT: Exclusion/Amounts Received by Survivor of the Holocaust or Heirs From  
Swiss Bank Accounts

their Swiss accounts." The Swiss Bankers Association states that "[u]nlike in many countries, including the United States, where inactive accounts are turned over to the government after a period of time, in Switzerland, dormant accounts remain the property of the client and must continue to be held by the banks." The deadline for filing a claim under the special claims resolution process is March 31, 1998.

#### SPECIFIC FINDINGS

**Existing federal and state laws** provide that gross income includes all income from whatever source derived, including compensation, business income, gains from property, dividends, rents, interest, and royalties, unless it is specifically exempt.

**Existing federal and state laws** provide that certain types of income specifically are excluded from gross income, such as amounts received from certain death benefits, gifts and inheritances, compensation for injuries and sickness, qualified scholarships, educational assistance programs, and foster care payments.

An **existing federal Treaty** provides that awards received pursuant to the German Act Regulating Unresolved Property Claims are exempt from U.S. taxation.

**Existing state law** excludes from an individual's gross income any amounts received, including interest and the value of property, pursuant to the German Act Regulating Unresolved Property Claims. The basis of any property received as compensation is the fair market value determined at the time of receipt by the taxpayer.

Neither **existing federal nor state laws** currently exclude from gross income amounts received from a dormant account held by any Swiss bank. The department is not aware of any congressional proposal to exclude these amounts from federal gross income.

**This bill would** exclude from gross income amounts received by a survivor of the Holocaust, or his or her heirs, from a dormant account held by any Swiss bank at the close of World War II.

#### Implementation Considerations

Implementation of this bill would not impact the department's programs and operations.

#### Technical Considerations

This bill raises the following technical considerations:

1. This bill provides that the exclusion would apply to amounts received by a survivor, or his or her heirs, thus limiting the exclusion to heirs of a survivor and not of a victim of the Holocaust.

2. For clarification, the term "heir" should be defined. The California Probate Code provides definitions for heir (Section 44) and beneficiary (Section 24), which includes heirs (intestate) and devisees (testate). Either (or both) of these definitions could be incorporated by reference to the appropriate Probate Code Section.

#### FISCAL IMPACT

##### Departmental Costs

The provisions of this bill would not impact the department's costs.

##### Tax Revenue Estimate

Neither the number of qualified claims that may result nor the amount of settlements that could be received by California residents is known at this time. As a rule of thumb, for every \$1 million of claims received by California residents during the tax year, the revenue losses would be on the order of \$80,000.

#### BOARD POSITION

Pending.

